

Commission on Employee Retirement Security and Pension Reform



HR SYMPOSIUM **VIRGINIA DEPARTMENT OF** **HUMAN RESOURCE MANAGEMENT**

JOHN TYLER COMMUNITY COLLEGE
CHESTER, VIRGINIA

NOVEMBER 30, 2016

Commission Overview

2

- Established in 2016 by HB 665 (Speaker Howell)
 - Code of Virginia §30-371 through §30-375
- Commission directed to study, report and make recommendations
 - Employee retirement security
 - Current retirement system plan
 - Design and benefits packages
 - Virginia's changing state workforce
 - State employee compensation
- Staff support
 - Department of Human Resource Management,
 - Virginia Retirement System,
 - House Appropriations Committee
 - Senate Finance Committee
 - Division of Legislative Services
 - PEW Charitable Trusts Retirement Systems Project

The Commission is comprised of 21 members, including 12 legislative members, 7 non-legislative members & 2 state officials

3

House of Delegates

The Honorable William J. Howell, Chairman
Speaker of the House

The Honorable S. Chris Jones
Chair, House Appropriations Committee

The Honorable R. Lee Ware
Chair, House Finance

The Honorable T. Scott Garrett

The Honorable James P. (Jimmie) Massie III

The Honorable Betsy B. Carr

Ex Officio

Mrs. Patricia Bishop
Virginia Retirement System

Mrs. Sara Redding Wilson
Department of Human Resource Management

Senate of Virginia

The Honorable Thomas K. Norment Jr.
Senate Majority Leader

The Honorable Emmett W. Hanger Jr.
Co-Chair, Senate Finance Committee

The Honorable Frank M. Ruff Jr., Vice
Chairman

The Honorable Frank W. Wagner

The Honorable George L. Barker

Non-Legislative

Mr. Ed Burton

Ms. Eileen Norcross

Mr. Ron Jordan

Mr. John Vithoulkas

Ms. Kathy Burcher

The Honorable John Watkins

Sheriff Ken Stolle

Lt. Col. Robert G. Kemmler

Retirement Working Group

4

Study, report on and make recommendations to the Commission

- Virginia Retirement System
- Unfunded liabilities of VRS
- Current plan design
- Future changes to plan design
- Contribution rates
- Participation rates
- Other aspects of the retirement system

10 Commission members participating on the Retirement Working Group

5

Retirement Working Group

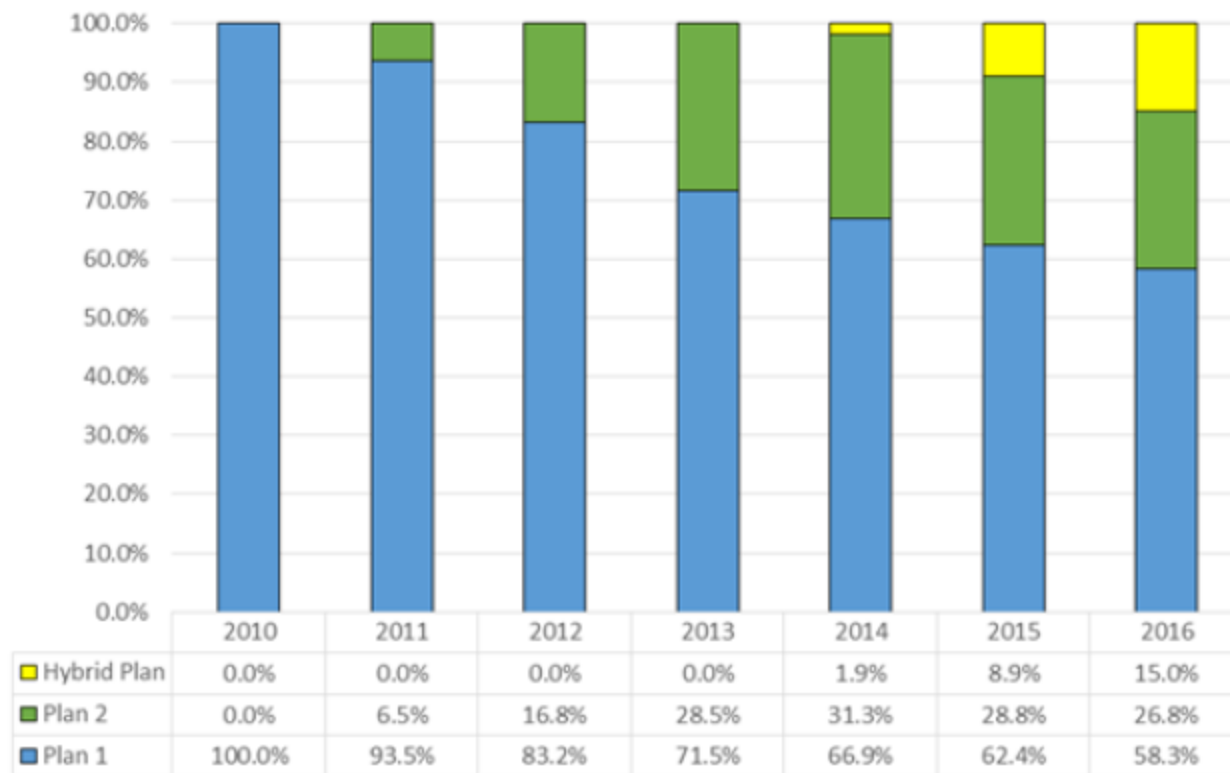
- Delegate Chris Jones, Chairman
- Speaker Bill Howell
- Delegate Jimmie Massie
- Senator Tommy Norment
- Ed Burton**
- Eileen Norcross**
- John Vithoulkas**
- The Honorable John Watkins
- Ron Jordan**
- Trish Bishop** (Ex officio)

*** denotes by request*

VRS Plan Membership

6

VRS Plans with Hybrid Benefit Level
Percentage of Members by Plan at Fiscal Year End



* Aggregate results for State, Teachers, Judges, and Political Subdivisions

* For fiscal years 2013 and beyond, members who were not vested were transitioned to Plan 2

Impact of Pension Reform on Plan Cost

7

	VRS State Retirement Plan			
	VRS Plan 1	VRS Plan 2	Hybrid	Blended Rate
Total Benefit Normal Cost	9.64%	8.95%	5.17%	9.10%
Member Contribution Rate	5.00%	5.00%	4.00%	4.92%
Employer Normal Cost Rate	4.64%	3.95%	1.17%	4.18%
Employer Match to Hybrid DC Plan	0.0%	0.0%	1.21%	0.10%
Administrative Expense	0.27%	0.27%	0.27%	0.27%
Total Employer Rate without Unfunded Amortization Cost	4.91%	4.22%	2.65%	4.55%
Percentage of Normal Cost Paid by Member	51.87%	55.87%	77.37%	54.07%

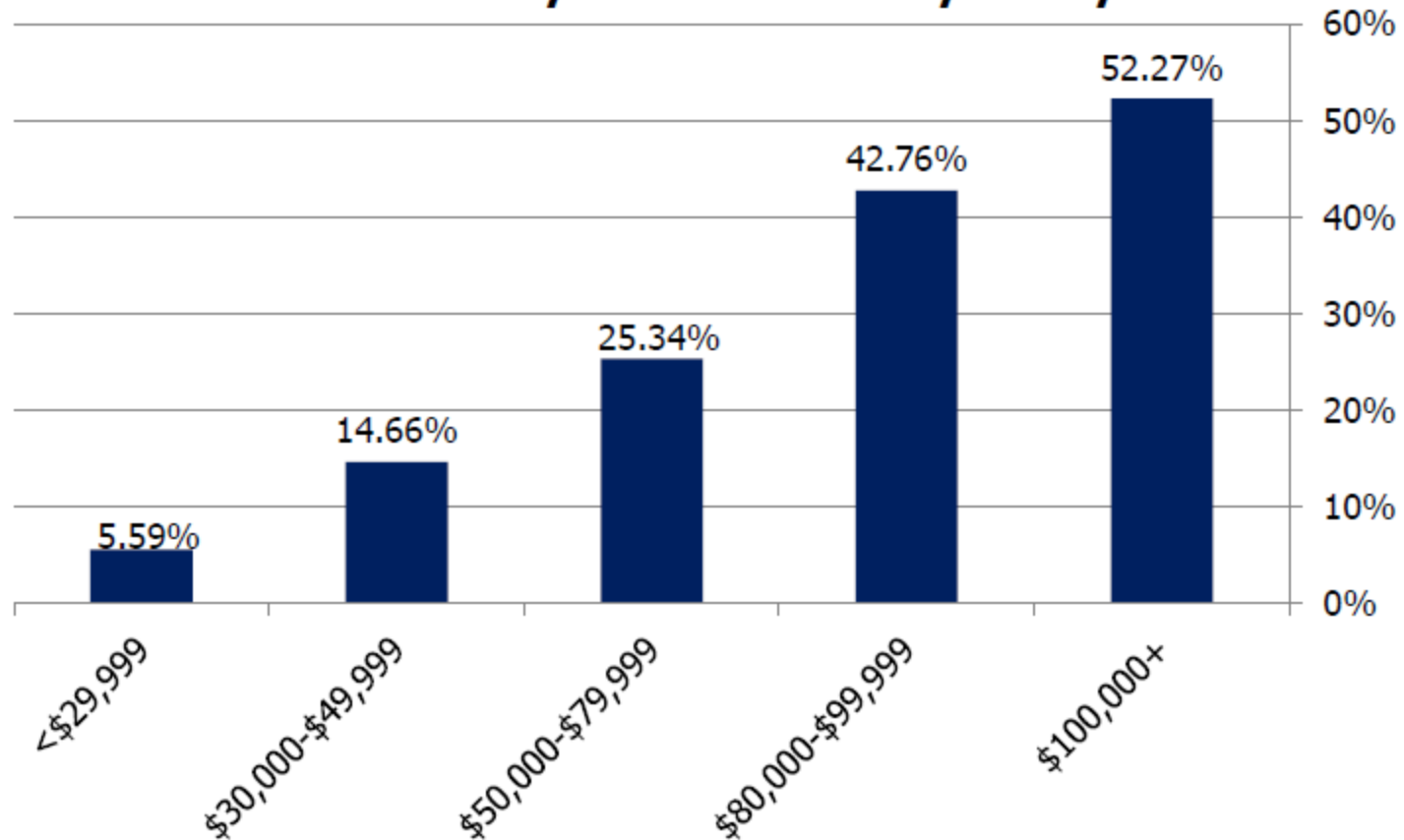
- With advent of pension reforms in recent years, the normal cost rate for employers has been reduced as more members enter the new plan designs.
- Employers are provided a blended rate based on the demographics of the members in the plan.
- As more members enter the hybrid plan, the employer normal cost rate will continue to move towards the lower 2.65% rate lowering contribution requirements.

Hybrid Retirement Plan

Voluntary Contributions Vary by Salary

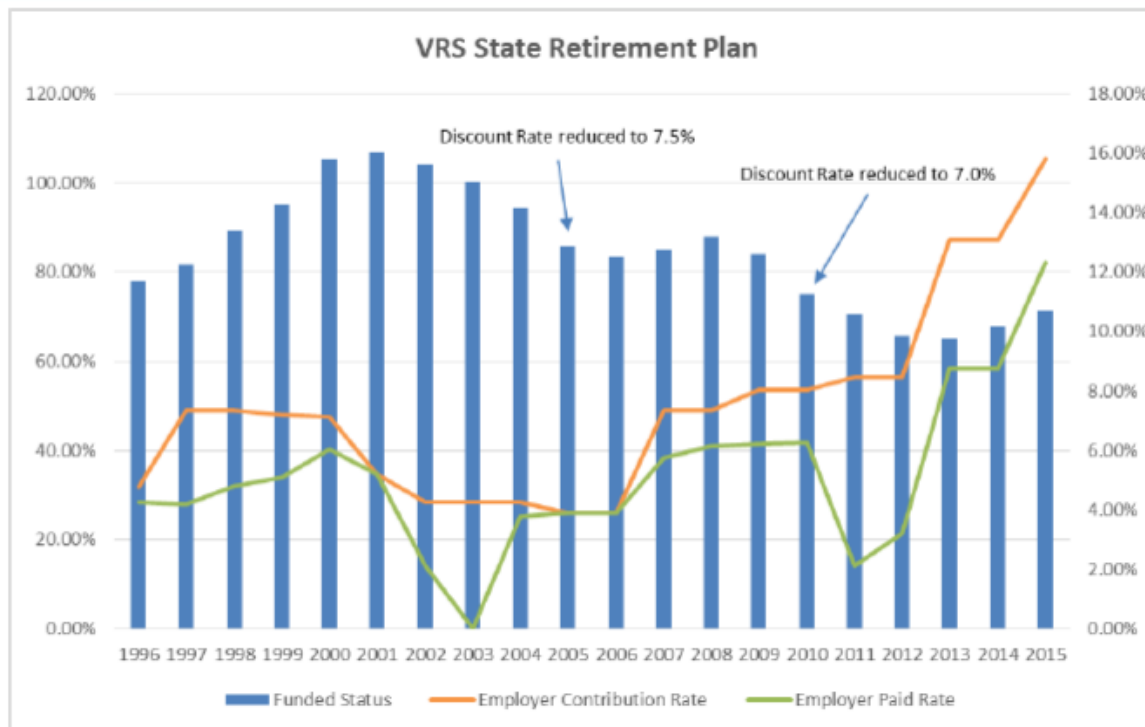
8

**Percentage of Hybrid Members making
Voluntary Contributions by Salary**



State Retirement Plan is Underfunded

9



- Since 1996, the state plan has been underfunded by \$1.6 billion in contributions.
- Those contributions, with actual interest earned by the fund, could have reduced unfunded liability by approximately \$2.8 billion today.
- Funded status on market value basis is 73.6% as of June 30, 2015. With extra contributions, funded status would be approximately 86.3%.

Pew recommendations from the Retirement Working Group to the Commission

10

- 1. Adopt a Formal Stress Testing Policy**
- 2. Modify the Hybrid Plan to Improve Default Retirement Savings**
- 3. Create a Defined Contribution Plan for New Hires**
- 4. Consider Options for Adding a Variable Cost-Sharing Feature to the DB Component**
- 5. Further Improve Investment Transparency and Reporting Policy**
- 6. Report Investment Performance and Carried Interest Fees**

Workforce Working Group

11

Study, report on, and make recommendations to the Commission

- State employee retirement projections
- Turnover rates
- Retention
- Succession planning
- Training
- Hiring
- Other topics necessary to ensure a strong and stable state workforce

7 Commission members participating on the Workforce Working Group

12

Workforce Working Group

- Delegate Lee Ware, Chairman
- Delegate Betsy Carr**
- Senator Frank Wagner
- Senator George Barker
- Ron Jordan
- Lt. Colonel Robert Kemmler
- Sara Redding Wilson (Ex officio)

*** denotes by request*

As turnover increases, job offer acceptance rate is decreasing and time to hire takes longer

13

Recruitment

• Vacancy rate	12.7% ↓
• Average vacancy	303 days ↓
• Average time to hire	92 days ↑
• Hire offers accepted	87.8% ↓
• Exceptional recruitment options	1.8% ↓
• Total recruitments*	12,323 ↓
• Promotions	14.7% ↑
• Demotions	1.7% ↓
• Transfers	22.4% ↓
• New hires & rehires	61.1% ↑
• Average age new hires	35 years ↓

Retention

• Turnover rate	13.8% ↑
• Turnover - probationary	13.3% ↓
• Turnover - < 5 years service	59.1 ↑
• Average retention bonus	0.0% ↓
• Employees w/ retention in-band adjustment increase	3.3% ↑
• Avg retention in-band adjustment increase	4.7% ↓
• Eligible retirement today	11.6% ↓
• Eligible retirement ≤ 5 years	24.7% ↓
• Retirement rate	2.75% ↓
• Average age at retirement	63 years ↑

High employee retirement eligibility rates could lead to agency brain drain

14

Agency	Total # of Employees	Retirement Eligible in 5 Years or Less
Dept Mines Minerals & Energy	189	44.97%
Virginia Employment Commission	673	37.30%
Dept of Labor and Industry	145	36.55%
Dept Game and Inland Fisheries	400	32.50%
Dept of Accounts	146	32.19%
Dept of Transportation	7330	31.84%
Dept of Taxation	824	30.95%
Dept of Agri & Cons Services	438	30.59%
Dept of Environmental Quality	772	29.92%
Dept of the Treasury	107	29.91%
Va Information Technologies	195	29.74%
Dept of State Police	2690	29.00%
Dept of Planning and Budget	45	28.89%
Dept of Social Services	1638	28.69%
Dept of Human Resource Mgmt	96	27.08%
Dept of Health	3244	27.00%
Dept of Motor Vehicles	1863	26.95%
Dept of General Services	586	25.94%

Specific roles are vulnerable to retirements

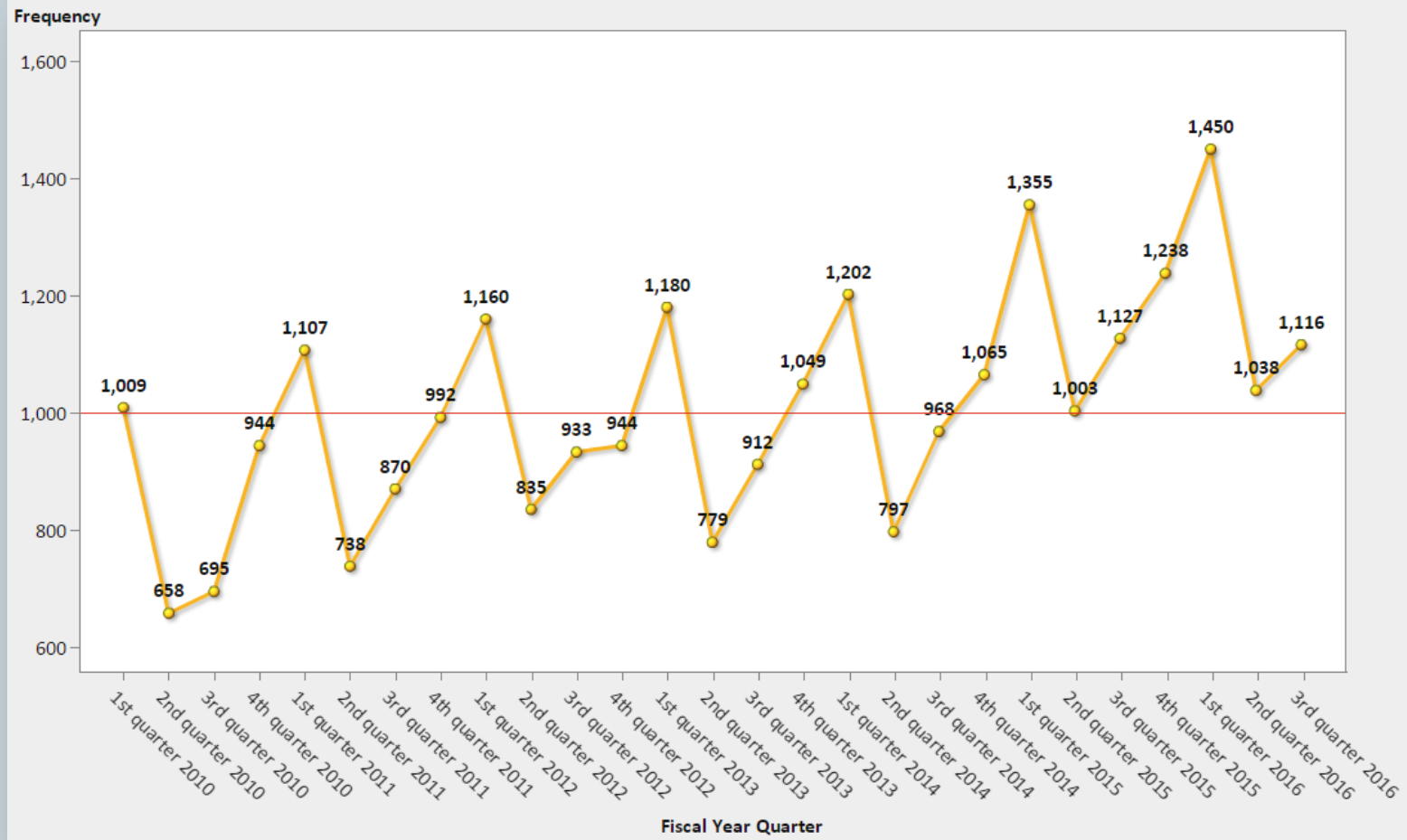
15

Roles	Total # of Employees	Eligible in 5 years or Less
General Managers	651	42.24%
Financial Managers	443	38.83%
Engineering Technicians	968	37.71%
Agricultural Specialists & Managers	241	36.51%
Compliance & Safety Officers	480	30.00%
Physicians	167	28.74%
Law Enforcement	2897	28.41%
Architects & Engineers	1133	27.18%
Registered Nurses	1522	25.36%
Probation Officers	1551	24.63%
IT Specialists & Managers	3207	21.61%

Voluntary turnover is trending up

16

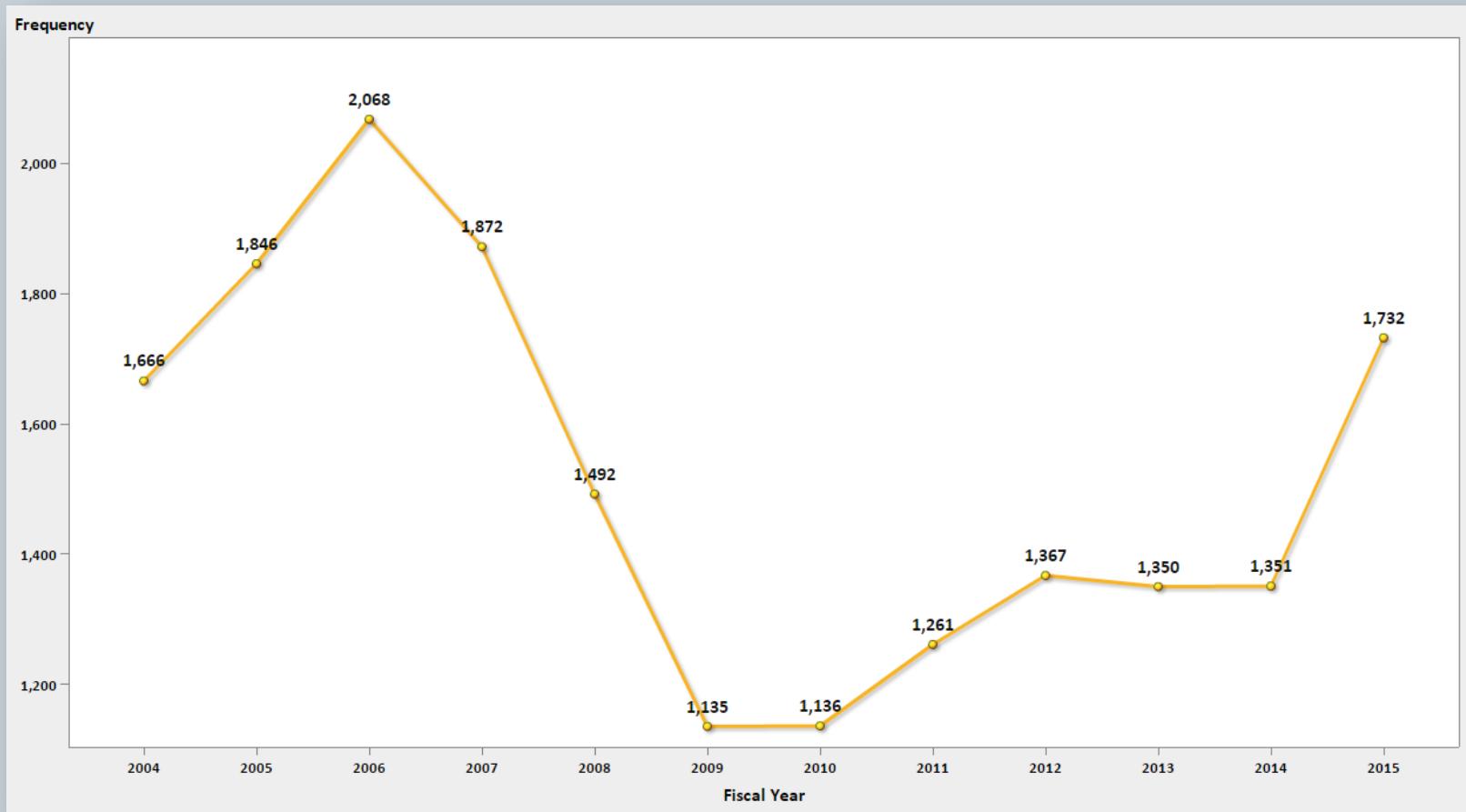
Classified Employee Voluntary Turnover



There has been a dramatic increase in resignations for a better job

17

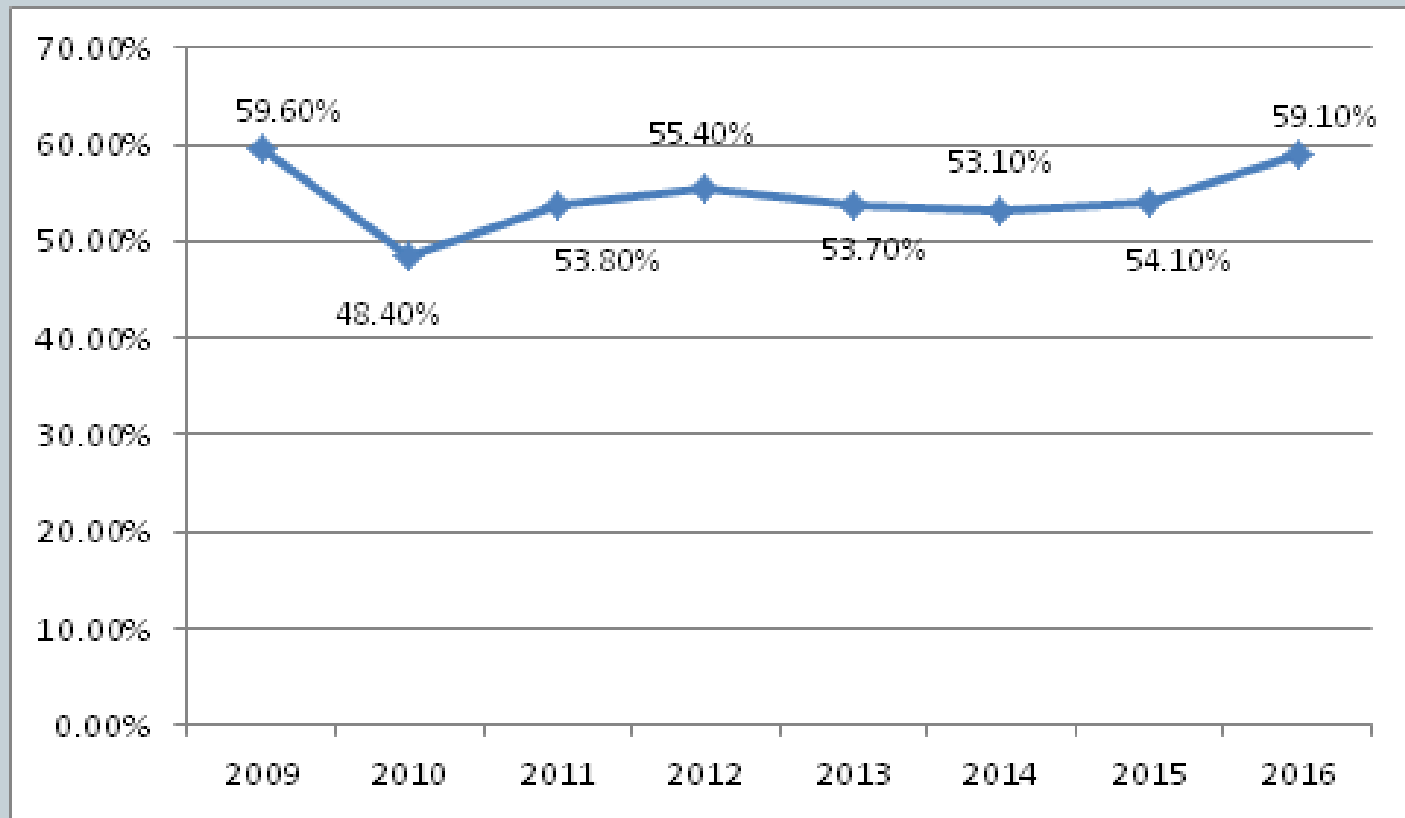
Classified employee voluntary turnover for a better job



Almost 2/3 of employees that voluntarily resign have 5 or less years of service

18

Annual Separation Rate for classified Employees with 5 or less years of service



Since 2013, Millennials were hired more often than any other generation and that trend is accelerating

19

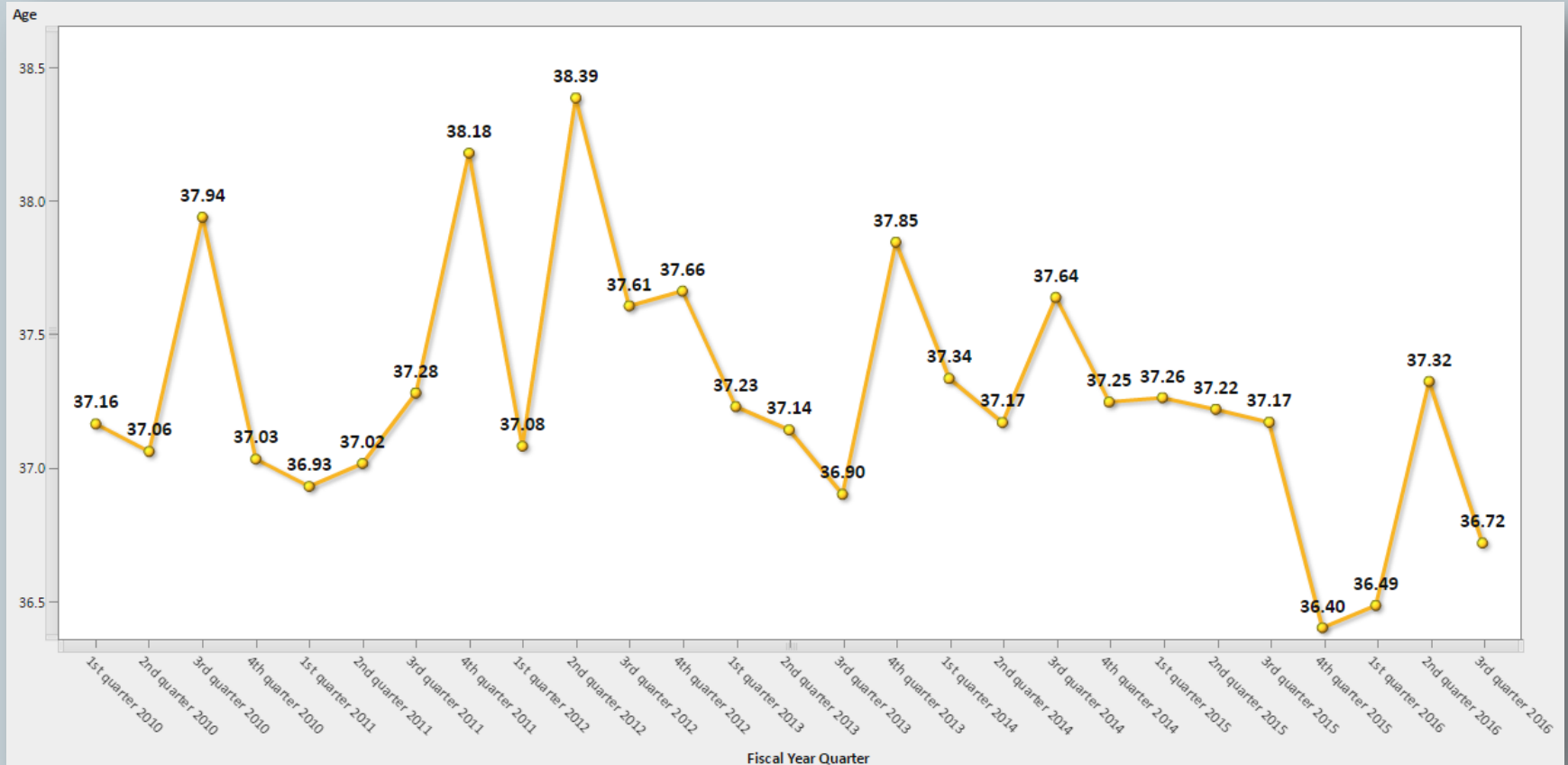
Classified Employee Original Appointment



Average age of classified employees voluntarily resigning is a decade lower than average age of the workforce

20

- **Average age of workers leaving voluntarily: 36.7**
- **Average overall age of state workforce: 46.7**



Recommendations from the **Workforce Working Group** to the Commission

21

- 1. Employee Marketing & Recruitment Plan**
- 2. Employee Surveys**
 - A. Annual Employee Satisfaction Survey*
 - B. Employee Exit Survey*
- 3. Agency Head Human Resources Training**
- 4. Study Job Skills & Locations**
- 5. Agency Succession Plans**
- 6. Support for Compensation Reform**

Compensation Working Group

22

Study, report on, and make recommendations to the Commission

- Total compensation packages available to state employees, including
 - Cash compensation,
 - Deferred compensation
 - Retirement benefits
- Compared to other states and the private sector

10 Commission members participating on the Compensation Working Group

23

Working Group on Compensation

- Senator Frank Ruff, Chairman
- Delegate Chris Jones
- Delegate Lee Ware
- Delegate Scott Garrett
- Senator Emmett Hanger
- Ron Jordan**
- Kathy Burcher
- Sheriff Ken Stolle
- Lt. Colonel Robert Kemmler
- Sara Redding Wilson (Ex officio)

*** denotes by request*

Classified compensation is divided into 9 pay bands with a separate range for northern Virginia

24

BANDS	RANGE			EMPLOYEES	
	Minimum	SW Maximum	NOVA Maximum	Number	Percent
1	\$15,992	\$38,820	\$50,466	2,084	3.26%
2	\$20,894	\$49,370	\$64,181	7,795	12.19%
3	\$24,969	\$58,146	\$75,590	20,502	32.06%
4	\$32,619	\$74,617	\$97,002	16,980	26.55%
5	\$42,614	\$96,134	\$124,974	12,167	19.02%
6	\$55,672	\$124,244	\$161,517	3,737	5.84%
7	\$72,731	\$160,972	\$193,167	471	0.74%
8	\$95,013	\$208,950	\$250,740	201	0.31%
9	\$124,128	MARKET	MARKET	16	0.03%

In 2000, General Assembly adopted a compensation goal to pay market rate

25

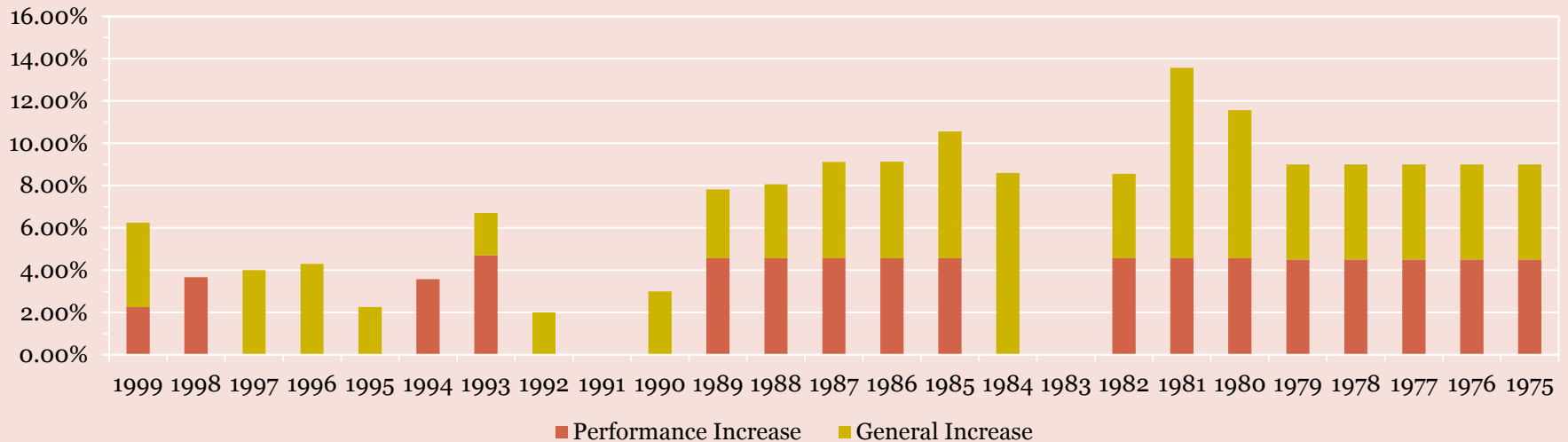
CLASSIFIED STATE SALARIES	MEAN	MEDIAN	1ST QUARTILE	3RD QUARTILE	LOWEST	HIGHEST	COUNT
Statewide	\$48,307	\$42,806	\$34,274	\$57,000	\$15,992	\$254,919	64,032
NOVA	\$56,976	\$52,020	\$42,642	\$65,000	\$20,969	\$216,300	5,662
Statewide (excluding NOVA)	\$47,466	\$41,975	\$33,889	\$55,800	\$15,992	\$254,919	58,370

- **Lowest paid** - \$15,992
 - 27 DBHDS employees in Food Service Tech I and Housekeeping/Apparel Service Worker 1 in Nottoway
- **Highest paid** - \$254,919
 - Physician Manager II in DBHDS
- **Mode** - Pay Band 3
- **Federal minimum wage** - \$7.25 or \$15,080 annually

Between 1975 to 1999, salary adjustments were given in 23 of the 25 years

26

Salary Adjustments Pre-Compensation Reform

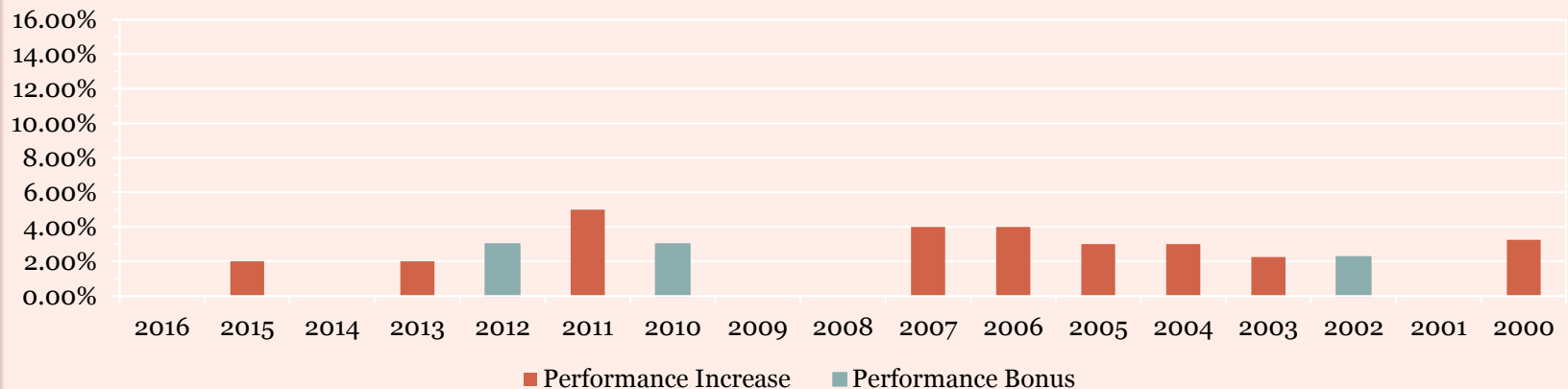


1998 – Performance Increase range of 2.25% to 4.55% ; average shown
1996 – Includes a 2.25% special increase to offset lag pay
1993, 1994 – Performance Increase range of 2.25% to 6.90% ; average shown
1991 – 2% adjustment was given, and then retracted
1983 – 5% contribution to VRS in lieu of salary increase

After compensation reform in 2000, base salary increases were given only 9 times

27

Salary Adjustments Post-Compensation Reform



2016 – 3% performance increase cancelled

2015 - Base salary increase to reduce salary compression for employees hired on or before 8/10/10

- \$65 per year up to 30 years of continuous service
- \$80 per year up to 30 years of continuous service for sworn officers in VSP
- \$1,000 base salary increase for employees in Security Officer I and III roles
- Additional 2% base increase for employees in 14 designated high turnover roles

2013 - Base salary increase to reduce salary compression for employees hired on or before 8/10/10

- \$65 per year up to 30 years of continuous service
- \$70 per year up to 30 years of continuous service for sworn officers in VSP

2011 – Only employees in VRS Plan 1 received 5% increase to offset required 5% VRS contribution

2010 – Bonus not performance related

2007 – Agencies allocated 0.5% of salaries to support internal pay practices

2005 - \$50 per year of service base salary increase to reduce salary compression for employees hired on or before 11/25/00

2002 – Employees could elect 2.25% bonus or 10 days of leave, or a combination of bonus and leave

State salaries for certain positions deviate from the private sector on average by -21.2%

28

• Average Performance Increase

- FY14 Market movement 2.88%
- FY15 Forecast 2.98%
- FY15 Projected State Deviation -24.82%

• Average Structure Adjustments

- ✦ FY14 Actual 1.93%
- ✦ FY15 Forecast 1.94%

Occupation	Private Industry Average Salary	Average Virginia Employee Salary	Deviation
Attorney	145,224	80,138	-81.20%
Environmental Engineer	108,012	67,748	-59.40%
Marketing Specialist	84,355	54,018	-56.20%
Generic Engineer Supv	160,631	110,279	-45.70%
Accountant	83,604	60,405	-38.40%
Internal Auditor	83,604	60,405	-38.40%
Systems Analysis Supv	104,677	78,061	-34.10%
Chemist	89,957	67,145	-34.00%
Employee Training Specialist	74,073	58,297	-27.10%
Truck Driver, Light	29,449	23,639	-24.60%
HR Admin Supv	133,300	107,287	-24.20%
Laboratory Aide	52,810	43,330	-21.90%
Data Base Administrator	96,713	83,431	-15.90%
Security Guard, Unarmed	33,823	29,725	-13.80%
Maintenance Electrician	50,575	46,155	-9.60%
Yard Laborer/Janitorial Supv	32,758	30,519	-7.30%
Staff RN	67,698	64,009	-5.80%
Cook	26,865	25,581	-5.00%
Physical Therapist	90,254	88,323	-2.20%
Architect	87,924	86,412	-1.80%
Medical Lab Tech	58,824	58,037	-1.40%
Mail Clerk	28,761	28,582	-0.60%
Secretary	36,417	37,171	2.00%
Social Worker (MSW)	47,716	52,221	8.60%
Cashier	26,304	28,821	8.70%
Average			-21.20%

In a national pay ranking of states, Virginia ranks 2nd in Federal pay

29

State	Federal Government		State Gov		Local Gov		Private Industry					
	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Fed Avg as % of Private Avg	State Ranking	State Avg as % of Private Avg	State Ranking
Alabama	79,206	4	50,499	29	39,198	33	43,370	38	182.63%	1	116%	15
Alaska	77,245	9	57,786	15	48,931	14	54,033	11	142.96%	35	107%	29
Arizona	72,821	22	55,102	19	44,692	20	47,497	22	153.32%	22	116%	17
Arkansas	65,801	40	43,606	47	36,975	45	40,607	46	162.04%	15	107%	27
California	78,872	5	71,395	1	59,961	3	61,276	5	128.72%	45	117%	14
Colorado	75,821	12	58,504	13	45,097	19	54,512	10	139.09%	38	107%	28
Connecticut	74,122	19	68,408	3	55,902	7	66,282	3	111.83%	49	103%	35
Delaware	69,633	30	53,337	22	51,106	11	54,006	12	128.94%	44	99%	45
Florida	73,955	20	46,794	40	47,680	16	45,554	29	162.35%	14	103%	38
Georgia	73,232	21	44,298	45	39,489	32	50,218	18	145.83%	29	88%	50
Hawaii	74,798	16	48,113	34	62,482	1	44,402	34	168.46%	7	108%	26
Idaho	65,034	44	44,189	46	33,798	47	38,658	49	168.23%	8	114%	19
Illinois	75,468	13	66,765	6	48,521	15	56,327	7	133.98%	41	119%	10
Indiana	69,830	29	46,920	39	37,284	43	44,113	36	158.30%	18	106%	31
Iowa	62,349	48	65,193	7	40,342	30	43,534	37	143.22%	34	150%	1
Kansas	65,183	43	52,025	25	33,765	48	44,731	31	145.72%	30	116%	16
Kentucky	63,042	46	47,042	37	38,778	37	43,189	40	145.97%	28	109%	25
Louisiana	68,991	32	49,310	31	38,353	38	46,287	26	149.05%	26	107%	30
Maine	71,696	26	43,268	48	38,119	39	41,289	43	173.64%	6	105%	32
Maryland	97,122	1	57,229	17	54,105	8	54,785	9	177.28%	3	104%	33
Massachusetts	78,316	7	67,150	5	57,417	5	67,337	2	116.30%	48	100%	44
Michigan	74,831	15	59,077	11	45,489	18	49,781	19	150.32%	25	119%	9
Minnesota	69,569	31	60,354	10	45,830	17	53,938	13	128.98%	43	112%	23
Mississippi	66,477	39	45,230	44	34,160	46	36,903	50	180.14%	2	123%	7
Missouri	66,727	37	41,549	50	38,942	36	46,000	27	145.06%	31	90%	48

Source: 2014 Bureau of Labor Statistics data based on payroll records of what is actually paid out to employees as reported quarterly to employment commissions

But Virginia only ranks 47th when state average pay is compared to private industry average pay

30

Virginia Pay Ranking

- 2nd in Federal Government
 - Same as 2014, 2013, 2012, 2011, & 2010
- 10th in Federal average as a percentage of Private Average
- 14th in Private Industry
 - Down from 13th in 2014, 11th in 2013 & 2012, 9th in 2011 & 8th in 2010
- 25th in Local Government
 - Same as 2014, 2012, & 2011 & down from 24th in 2013 and 23rd in 2010
- 32nd in State Government
 - Down from 34th in 2014 and 2011 and 33rd in 2013 & same as 2012 & 2010
- 47th in State average as a percent of Private average
 - Up from 49th in 2014 and 2013 & 48th in 2010 & 2011 & same as 2012,

State	Federal Government		State Gov		Local Gov		Private Industry					
	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Fed Avg as % of Private	State Ranking	State Avg as % of Private	State Ranking
Montana	65,442	42	46,349	41	37,971	40	39,013	48	167.74%	9	119%	8
Nebraska	65,522	41	50,013	30	40,827	29	42,355	41	154.70%	20	118%	12
Nevada	68,901	33	50,787	28	53,269	9	44,528	32	154.74%	19	114%	20
NewHampshire	76,864	10	51,609	26	44,018	22	53,134	15	144.66%	32	97%	46
NewJersey	78,857	6	70,274	2	60,891	2	61,965	4	127.26%	46	113%	21
NewMexico	72,307	24	52,576	24	37,475	42	41,217	44	175.43%	4	128%	5
NewYork	76,429	11	60,931	9	58,387	4	68,772	1	111.13%	50	89%	49
NorthCarolina	67,111	35	47,905	35	42,725	26	46,531	25	144.23%	33	103%	36
NorthDakota	62,904	47	53,040	23	39,032	35	51,579	17	121.96%	47	103%	37
Ohio	74,496	17	61,005	8	44,526	21	46,579	24	159.93%	17	131%	3
Oklahoma	67,789	34	45,469	43	37,284	43	44,509	33	152.30%	23	102%	39
Oregon	71,029	28	48,515	33	49,312	13	47,777	21	148.67%	27	102%	41
Pennsylvania	72,521	23	58,691	12	49,613	12	51,848	16	139.87%	37	113%	22
Rhodelsland	79,734	3	67,693	4	57,042	6	48,734	20	163.61%	13	139%	2
SouthCarolina	66,612	38	45,988	42	41,520	27	41,338	42	161.14%	16	111%	24
SouthDakota	61,944	50	47,031	38	32,911	50	40,157	47	154.25%	21	117%	13
Tennessee	77,306	8	47,152	36	39,150	34	46,956	23	164.63%	12	100%	42
Texas	75,072	14	55,207	18	43,813	24	55,190	8	136.02%	40	100%	43
Utah	66,798	36	51,256	27	33,722	49	44,359	35	150.58%	24	116%	18
Vermont	71,478	27	54,193	21	40,067	31	43,344	39	164.91%	11	125%	6
Virginia	89,056	2	48,692	32	43,413	25	53,850	14	165.38%	10	90%	47
Washington	74,347	18	57,698	16	53,264	10	56,563	6	131.44%	42	102%	40
WestVirginia	71,774	25	42,605	49	37,651	41	40,927	45	175.37%	5	104%	34
Wisconsin	63,364	45	58,027	14	41,119	28	45,243	30	140.05%	36	128%	4
Wyoming	62,298	49	54,194	20	43,910	23	45,785	28	136.07%	39	118%	11

Source: 2014 Bureau of Labor Statistics data based on payroll records of what is actually paid out to employees as reported quarterly to employment commissions

Competitive compensation is critical for recruitment & retention of the workforce

31

- Workforce is aging
- Early to mid-career employees are leaving at the fastest rate
- Compensation on average is well below market
 - ✦ Compensation tools have never been funded
 - ✦ Below market compensation reduces talent in hiring pools
 - ✦ New hires demand market rates, creating salary compression
 - ✦ Deferred budgeted conditional raise negatively impacts employee morale

Recommendations from the **Compensation Working Group** to the Commission

32

- 1. FY 2018 State Employee Pay Raises**
- 2. Total Compensation Study**
- 3. Occupationally Based Data Subscription**

Additional information

33

- Next full commission meeting
December 12, 2016 at 1:30 p.m.
House Room D, General Assembly Building
- Commission on Employee Retirement Security and Pension Reform website
<http://retirementcommission.virginia.gov/>

Appendix

34

Pew recommendations from the Retirement Working Group to the Commission

35

1. Adopt a Formal Stress Testing Policy

The Virginia Retirement Systems (VRS) should adopt a policy to develop and report sensitivity and stress test analysis on a regular basis, including projections of pension costs, liabilities and debt reduction under different economic and investment scenarios.

2. Modify the Hybrid Plan to Improve Default Retirement Savings

*The Virginia legislature should adopt VRS' suggested changes to the current hybrid plan, as reflected in HB 1072 (2016), and consider modifications to either: **(1)** Set the default voluntary employee contribution rate to the maximum level required to receive the full state match; or **(2)** Provide workers with an “active choice” option to set their initial voluntary contribution to the maximum level required to receive the full state match; and **(3)** Provide workers with an “active choice” to set their initial voluntary contribution to 1% per year, with an auto-escalation of 1% per year until the maximum voluntary contribution is reached.*

Pew recommendations from the Retirement Working Group to the Commission

36

3. Create a Defined Contribution Plan for New Hires

The Virginia legislature should create a defined contribution (DC) plan similar to the existing Optional Retirement Plan for Political Appointees (ORPPA) for new hires beginning in 2018 (**application to be a policymaker decision**).*

4. Consider Options for Adding a Variable Cost-Sharing Feature to the DB Component

The Virginia legislature should consider adding a prospective cost sharing provision that would (1) make employee contributions - to the defined benefit (DB) component - variable within a limited range based on realized cost and/or (2) set cost of living adjustment (COLA) benefits as contingent based on plan fiscal health. As noted in the materials from previous meetings and summarized in the October 17 presentation, several states have approached this concept in different ways, any of which could be designed effectively in Virginia.

Pew recommendations from the Retirement Working Group to the Commission

37

5. Further Improve Investment Transparency and Reporting Policy

VRS should adopt a formal policy to continue providing the VRS investment policy online and including 20- and 25-year investment performance data in regular reporting.

6. Report Investment Performance and Carried Interest Fees

VRS should adopt a formal policy to report performance and carried interest fees for private equity and other alternative investments regularly.

Recommendations from the Workforce Working Group to the Commission

38

1. Employee Marketing & Recruitment Plan

The Department of Human Resource Management should develop a comprehensive marketing and recruitment plan to help attract and retain qualified state employees. The plan should define the state's brand, present a complete picture of the employee experience, and demonstrate the professional and personal benefits of becoming a state employee. The plan should focus on attracting qualified employees with the appropriate skills and experience who are committed to long-term public service. The plan should utilize modern public relations and marketing strategies to reach the target audience.

Recommendations from the Workforce Working Group to the Commission

39

2. Employee Surveys

A. Annual Employee Satisfaction Survey: *The Department of Human Resource Management should conduct an annual survey of state employees to determine employee satisfaction in key areas including but not limited to their job role and responsibilities, compensation and benefits, professional development and personal growth, workplace environment and experience, and department and agency management and leadership. The Department should produce a report for the Governor and the General Assembly annually, and each agency should receive a report on the results of the survey annually.*

B. Employee Exit Survey: *The Department of Human Resource Management should develop a centralized exit survey for all state employees leaving employment with a state agency. The Department would contract with a third party to administer 5,000 - 10,000 exit surveys per year. The third party administrator would annually report back meaningful data to DHRM, including a priority ranking of the reasons why employees are leaving state government and where they are going. Nothing like this currently exists on a centralized and useful basis. The cost is estimated at \$75,000 GF annually.*

Recommendations from the Workforce Working Group to the Commission

40

3. Agency Head Human Resources Training

Each state agency head should be required to participate in a human resources training program upon appointment, and then at intervals of at least once every four years. The training program, to be developed and managed by the Department of Human Resource Management, should serve to familiarize agency heads with state human resource policies including general policies, compensation management, benefits administration, training, succession planning, and the resources available at DHRM.

4. Study Job Skills & Locations

The Commission on Employee Retirement Security & Pension Reform should commission a comprehensive study of state employee positions in each region of the Commonwealth and the skills of potential employees in each region. This study would be funded from the Department of Human Resource Management's 2016-2018 appropriation for the Commission. Further discussion and refinement of this general recommendation by the Retirement Reform Commission is suggested by the working group.

Recommendations from the Workforce Working Group to the Commission

41

5. Agency Succession Plans

Each agency of state government should develop and annually update agency succession plans for key personnel, executive positions, and for employees nearing retirement. Those plans should be submitted to the Director of the Department of Human Resource Management.

6. Support for Compensation Reform

The Workforce Working Group voiced its support for recommendations of the Compensation Working Group aimed at addressing compensation issues for state employees. Compensation reform is an essential element of any attempt to improve workforce-related issues.

Recommendations from the Compensation Working Group to the Commission

42

1. FY 2018 State Employee Pay Raises

The General Assembly should prioritize funding for the previously scheduled state employee pay raises in Fiscal Year 2018 as it considers budget amendments to the 2016-2018 biennial budget. The three percent salary increase for FY18 should be fully funded by the General Assembly.

Recommendations from the Compensation Working Group to the Commission

43

2. Total Compensation Study

The Joint Legislative Audit and Review Commission should undertake a total compensation study to determine the total value of all forms of compensation provided to state employees including cash compensation, the value of healthcare, retirement, leave, and other flexible benefits. The study should also (i) compare the total compensation state agencies provide to what is provided by other large employers seeking to recruit and retain employees with the same skills and competencies; (ii) conduct research about how best to recruit, retain, motivate, and facilitate work / life balance for employees; and (iii) identify cost-effective approaches that could be used to ensure agencies are able to employ an effective workforce. JLARC should procure the services of consultants to conduct the study. JLARC should complete its work and submit the study to the Commission on Employee Retirement Security and Pension Reform no later than November 30, 2017.

Recommendations from the Compensation Working Group to the Commission

44

3. Occupationally Based Data Subscription

The General Assembly should appropriate necessary funds for the Department of Human Resource Management to subscribe to Occupationally Based Data Services focused on total compensation and evaluation of peer employers. This tool will enable DHRM to analyze and compare State compensation data for its annual report to the General Assembly and for ongoing compensation studies. This tool has not been purchased since 2009 due to budget reductions. The cost estimate is \$20,000 for FY2017.